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Maintaining Ex-Im Bank as a Major Force in the 21st Century

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As US Commerce Secretary, I head the Trade Promotion Coordinating Committee (TPCC) task force. TPCC brings all 19 US government agencies that deal with trade together to find out how we can do things better. We ask questions such as, "If we expect in the Internet age to help companies export, how do we change old, inflexible, bureaucratic government?" Having been in government for 3 years—and this is my first experience in public service—it is frustrating at times. We have to find ways to more effectively deliver public services or we are going to become irrelevant. In fact, I believe the greatest challenge that government faces in this century is to deliver services better. The US Export-Import Bank's chairman, James Harmon, knows this. He asked the TPCC for its ideas on how to change Ex-Im.

How does Ex-Im become a major force in the twenty-first century, as it was in the twentieth? To answer this question, TPCC went to the people who know the situation best, US exporters, and asked them what they think.

These are companies facing a far different business environment than 65 years ago, or 35 years ago, or even 5 years ago. They have much greater flexibility in sourcing their products overseas, now that design and production can take place around the globe. It is a world where products are global, and where winning project bids must be global to meet increasing cost pressures.

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More and more, these companies are seeing situations in which export credit agency financing is becoming the dealmaker in project negotiations. Sourcing decisions are linked to where an exporter can find the most competitive export credit financing. So production—and the jobs that go with it—increasingly follow the financing of the deal, not the other way around. And, it is important to remember, Ex-Im Bank is no longer the only game in town. There are more than 80 export credit agencies around the world offering services that increasingly push the envelope on global trade rules.

These trends—the globalization of the supply chain, the financing as the dealmaker, and the aggressiveness of Ex-Im's competitors—add up to one important conclusion for US exporters: The company that wins the project and brings home the jobs is the one that provides competitive financing in real time, on flexible terms, with minimal red tape, and at reasonable cost.

The United States is at a point where it risks losing its edge in world markets if it does not take a serious look at its export policies and programs. So I have asked the TPCC to develop, by fall 2000, a set of recommendations that will lay out specific steps that Ex-Im can take both now and in the next administration.

To begin the process, I here offer five examples of areas the TPCC should include in its review. This is the beginning of the list—not the end. Nothing should be dismissed, everything should be on the table. The exporters with whom we talked have many, many ideas.

First is *cofinancing*. With globalization and bigger infrastructure projects, more deals are being done with many suppliers from different countries. Project developers now want all sourcing, regardless of the country where it originates, to be covered by one set of documents. This means export credit agencies will need to apply their individual requirements—from sourcing to shipping—more flexibly.

Ex-Im has begun to do this—cofinancing its first deal with its Canadian counterpart last fall. It has made cofinancing a priority. TPCC is encouraging Ex-Im to enter into additional arrangements with other agencies. The United States needs to ensure that its exporters are not cut out of a deal simply because developers do not want to have a separate financing package for Ex-Im.

Second are *market windows*. Other governments, most notably Canada and Germany, are offering what is becoming very popular with their companies: commercial export credit financing. US exporters are concerned. They think this development—which brings with it a private-sector mentality of flexibility, speed, and aggressiveness—is difficult for Ex-Im to match. And they think that if this becomes too widespread, it will be a disadvantage to them. In the past, this kind of support was limited primarily to aircraft financing. But the practice is clearly spreading to other areas, as US competitors notice the success of these packages.

In Canada, the situation has changed so much that the bulk of the Export Development Corporation's medium- and long-term financing is now provided through its market window rather than through official export credits. This is an area that Ex-Im needs to consider.

Third is *twenty-first century service*. The Internet has created a world where customers demand quicker responses and better service. If we can get a mortgage online, and buy stocks online, and open bank accounts online, why not finance an international deal over the Internet? Why not create a virtual Ex-Im Bank? There is no question that Ex-Im can utilize technology to reduce and streamline the documentation burden on companies. It needs to find ways to support US business firms as quickly as other countries' credit agencies support theirs. And by using the Internet, in my opinion, we can get more small businesses into exporting.

Fourth are *new-economy customers*. A big reason that the United States is enjoying the longest economic expansion in its history is information technologies. In fact, since President Bill Clinton has been in office, one-third of US growth has come from information technologies. So, in the twenty-first century, new policies and programs will be required for the service sector. Companies that sell licenses instead of tractors--and can deliver their products through downloading rather than shipping--need export financing. More and more, these firms will expand into high-growth emerging markets. Ex-Im needs to find innovative ways to help them.

Fifth is *sanctions reform*. This continues to be a top priority of the business community, especially as it relates to the use of Ex-Im as a tool of foreign policy. Ex-Im cannot be competitive in the global economy unless it is seen as a reliable lender. Three years ago, the President's Export Council made recommendations that were extremely valuable in framing the sanctions reform debate.

In the past 65 years, Ex-Im has helped make US exporters the most competitive in the world. But today—with globalization, with modern technology, with more competitors—it is a different world. The United States now trades as much in one day as it did all year in 1934, when Ex-Im was created. If government agencies work as a team—rather than as adversaries—they can help each other. And, more important, they can help the customer.

President Franklin Roosevelt believed very much in the role government could play in putting Americans back to work. Soon after Ex-Im Bank was created, he said: "Government is competent when all who compose it work as trustees for the whole people. Government can make constant progress when it keeps abreast of all the facts." The US government is looking for the facts, and taking the facts to shape a Bank whose greatest days are ahead of it.